

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7609**

**BILL NUMBER:** HB 1754

**NOTE PREPARED:** Jan 20, 2005

**BILL AMENDED:**

**SUBJECT:** Local Income Tax Distributions.

**FIRST AUTHOR:** Rep. Thompson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** The bill limits the extent to which a taxing unit may experience a decrease from one year to the next of the taxing unit's share of County Adjusted Gross Income Tax (CAGIT) revenue, County Option Income Tax (COIT) revenue, or County Economic Development Income Tax (CEDIT) revenue.

**Effective Date:** January 1, 2006.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* Under the bill, civil taxing units and school corporations in counties with either CAGIT, COIT, or CEDIT would be entitled to a minimum distribution of certified shares and local property tax replacement credits. The minimum amount that a unit could receive in a year would equal 98% of the share received in the previous year by that taxing unit. However, if the total shares available for distribution in the county are less than the previous year's total amount, then each unit's 98% minimum share would be proportionately reduced.

With few exceptions, local option income tax (LOIT) proceeds are distributed to taxing units proportionately on the basis of the units' property tax levies. Some taxing units may have levies that grow faster than other units. This may be caused by a variety of reasons, including debt issues and excessive levy appeals. A unit

whose levy grows faster than the other units in the county also receives a larger share of LOIT revenue. Conversely, a unit with a slower levy growth receives a declining share of the revenue. Even with declining share percentages, a unit can still receive additional revenues in a year if the total amount to be distributed grows at a faster rate than the rate of decline in the unit's share percentage. This bill would only affect a unit in a year when the county total LOIT growth does not outpace the unit's share percentage decline.

If any additional shares are paid to a taxing unit because of the minimum guarantee, then the total shares available for distribution to other units would be reduced. So, compared with current law, if some units receive more LOIT revenue under this proposal, then others in the county would receive less. There would be no change in the overall total amount of shares available for distribution in a county.

*Background:* Currently, there are 56 CAGIT, 27 COIT, and 71 CEDIT counties in the state. The following table exhibits the total certified distributions for those counties in CY 2003 and CY 2004:

LOCAL OPTION TAX TYPE	CY 2003 CERTIFIED DISTRIBUTION	CY 2004 CERTIFIED DISTRIBUTION
CAGIT*	\$321.8 M	\$347.4 M
COIT	\$462.8 M	\$420.2 M
CEDIT*	\$146.9 M	\$172.7 M

\*Three counties received their first CAGIT and seven CEDIT counties received their first certified distribution in CY 2004.

**State Agencies Affected:**

**Local Agencies Affected:** Local option income tax counties.

**Information Sources:** Department of Local Government Finance: LOGODABA; State Budget Agency.

**Fiscal Analyst:** Chris Baker, 317-232-9851; Bob Sigalow, 317-232-9859.